



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 7, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**FIVE-YEAR LEASE RENEWAL OPTION - LEASE NO. 72380
DEPARTMENT OF MENTAL HEALTH
529 SOUTH MAPLE AVENUE, LOS ANGELES
(SECOND DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is for a five-year lease renewal of 25,000 rentable square feet and 84 parking spaces for the Department of Mental Health to provide continued use of existing office space for the Downtown Mental Health Clinic.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the proposed lease renewal is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, and Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and instruct the Mayor to exercise the five-year option to renew with Central, LLC, for 25,000 rentable square feet of office space located at 529 South Maple Avenue, Los Angeles, for the Department of Mental Health at an initial annual year rent not to exceed \$519,106. The lease costs are 100 percent funded by State and Federal revenue.
3. Authorize the Chief Executive Officer and the Director of Mental Health to implement the lease option renewal, which shall become effective upon approval by your Board at the termination of the existing lease.

"To Enrich Lives Through Effective And Caring Service"

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Since September 30, 2000, the Department of Mental Health (DMH) has leased 25,000 rentable square feet of office space and 84 parking spaces at this location for the Downtown Mental Health Clinic (Clinic). The facility provides direct services to clients in the surrounding vicinity of Service Area 4. The Clinic provides outpatient adult and family/older adult outpatient services geared toward the recovery model and includes treatment of co-occurring disorders, dual diagnosis services, psychological and vocational assessment services, group and family therapy, Department of Public Social Services' (DPSS) CalWORKS and GROW programs, and field capable clinical services for adults and crises resolution services.

The Clinic houses approximately 97 staff positions and services approximately 220 client visits per day. The existing leasehold contains an option-to-purchase right of \$3,500,000, which will remain under the lease renewal. The Chief Executive Office (CEO) and DMH are currently evaluating exercising the purchase option and the due diligence process is underway. Should it be determined that the purchase option price is feasible, a recommendation will be made to your Board to exercise the purchase option. The department is evaluating its existing space needs related to the possible purchase.

Renewing the lease will provide ample time to complete the due diligence process and preserves the purchase option. In order to maintain vital services and accommodate the program within the existing geographical area, and in consideration of long-term strategies of the department within Service Area 4, DMH has requested renewal of the lease, which will retain an annual cancellation right provision.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Operational Effectiveness (Goal 1) directs that we maximize the effectiveness of processes, structure, and operations to support timely delivery of customer-oriented and efficient public services. In this case, the County of Los Angeles (County) is supporting the goal by providing an office in the community it serves, to increase effectiveness and enhance customer service, providing responsive services to the public.

FISCAL IMPACT/FINANCING

The proposed option to renew the existing lease will provide DMH uninterrupted use of 25,000 square feet of office and clinical space and 84 parking spaces at a monthly rent not to exceed \$43,259 per month, or \$519,106 annually. The lease contains a provision for Consumer Price Index (CPI) increases of no greater than 4 percent of the monthly base year rent.

529 SOUTH MAPLE AVENUE	EXISTING LEASE	LEASE RENEWAL	CHANGES
AREA (SQUARE FEET)	25,000	25,000	None
TERM	8/30/2000 – 9/30/2011	10/1/2011 - 9/30/2016	Five years
ANNUAL BASE RENT	\$499,140	\$519,106	Maximum + \$19,966
PARKING INCLUDED IN RENT	84 spaces	84 spaces	None
CANCELLATION	At the 60 th and 84 th month with 180 days notice	At the annual extension anniversary date with 180 days notice	Annual vs. actual dates
OPTION TO RENEW	One five-year option	Five-year option exercised	No option
RENTAL ADJUSTMENT	Annual CPI with a cap of 4 percent of base year monthly rent	Annual CPI with a cap of 4 percent of base year monthly rent	None

Sufficient funding for the proposed lease renewal is included in the 2011-12 Recommended Rent Expense budget and will be charged back to DMH. DMH has requested sufficient funding in its 2011-12 operating budget to cover the projected lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

A notice of intent to exercise the option to renew has been adequately provided to the Lessor. The lease renewal requires your Board to exercise the option and contains the following terms and conditions.

- Commencement of the lease renewal on October 1, 2011, and expires five years thereafter.
- There is a cancellation provision allowing the County to cancel at the annual anniversary date of the lease renewal with 180 days prior written notice during the five-year term.
- The lease includes parking for 84 vehicles.
- The lease continues on a modified full-service gross basis whereby the Lessor is responsible for the operating and maintenance costs, less utilities.

- The rent under the lease renewal will be subject to annual CPI increases capped at 4 percent of the base monthly rent, or a maximum of \$19,966 for the initial year of the lease renewal.
- There are no tenant improvements included with the renewal of the lease.

The CEO Real Estate staff conducted a survey within the search area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically, nor are there any County-owned or leased facilities available for this program. Based upon said survey, staff has established that the base rental range for similar property is between \$15.80 and \$33.36 per square foot per year on a modified full-service gross basis, without parking. Thus, the base annual rent of \$20.76 per square foot per year on a modified gross basis, including parking, for the proposed lease represents a rate within the market range for the area. Attachment B shows County-owned and leased facilities within the search area for these programs and none are available to house these programs.

The Department of Public Works previously inspected this facility and its recommendation concluded the facility met the County's requirements for use by the County.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CEO has concluded that this project is exempt from California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease renewal will provide the necessary office space for this County requirement. DMH concurs with the proposed lease renewal.

The Honorable Board of Supervisors
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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division, 222 South Hill Street, Los Angeles, CA 90012.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR:WLD
CEM:NCH:hd

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Mental Health

529SoMaple dmhrenewal.b

**DEPARTMENT OF MENTAL HEALTH
529 SOUTH MAPLE AVENUE, LOS ANGELES
Asset Management Principles Compliance Form¹**

1.	<u>Occupancy</u>		Yes	No	N/A
	A	Does lease consolidate administrative functions? ²			X
	B	Does lease co-locate with other functions to better serve clients? ²	X		
	C	Does this lease centralize business support functions? ²			X
	D	Does this lease meet the guideline of 200 sq. ft of space per person? ^{2 1} Ratio is about 260 square feet per person, which approximates guideline for clinic related office space.	X		
2.	<u>Capital</u>				
	A	Is it a substantial net County cost (NCC) program?		X	
	B	Is this a long term County program?	X		
	C	If yes to 2 B or C; is it a capital lease or an operating lease with an option to buy?	X		
	D	If no, are there any suitable County-owned facilities available?		X	
	E	If yes, why is lease being recommended over occupancy in County-owned space?			X
	F	Is Building Description Report attached as Attachment B?	X		
	G	Was build-to-suit or capital project considered? DMH is considering exercising a purchase option opportunity with potential capital improvements in the future.	X		
3.	<u>Portfolio Management</u>				
	A	Did department utilize CEO Space Request Evaluation (SRE)? DMH is currently in the process of determining its actual space needs, either at this site or an alternative location within the service area.		X	
	B	Was the space need justified? See above. Currently under review.		X	
	C	If a renewal lease, was co-location with other County departments considered?	X		
	D	Why was this program not co-located?			X
		1. ____ The program clientele requires a "stand alone" facility.			
		2. ____ No suitable County occupied properties in project area.			
		3. <u>X</u> No County-owned facilities available for the project.			
		4. ____ Could not get City clearance or approval.			
		5. ____ The Program is being co-located.			
	E	Is lease a full service lease? ² Modified gross (net utilities) as with existing lease.		X	
	F	Has growth projection been considered in space request?		X	
	G	Has the Dept. of Public Works completed seismic review/approval?	X		
		¹ As approved by the Board of Supervisors 11/17/98			

²If not, why not?

**SPACE SEARCH – WITHIN 2-MILE RADIUS OF DOWNTOWN MENTAL HEALTH CLINIC
529 SOUTH MAPLE AVENUE, LOS ANGELES
DEPARTMENT OF MENTAL HEALTH**

Laco	Facility Name	Address	Ownership	Gross SQFT	Net SQFT	Available SQFT
B446	DHS-SKID ROW CLINIC	512 S SAN PEDRO ST, LOS ANGELES 90013	LEASED	20,628	19,597	NONE
A218	MENTAL HEALTH-SKID ROW MANAGEMENT TEAM	420 S SAN PEDRO ST, LOS ANGELES 90013	LEASED	3,516	3,340	NONE
B426	DMH-ADULT SYSTEMS OF CARE-FSP	426 S SAN PEDRO ST, LOS ANGELES 90013	LEASED	6,500	6,175	NONE
A442	MENTAL HEALTH-LAPD - SMART TEAM OFFICE	419 S SPRING ST, LOS ANGELES 90013	GRATIS	1,000	1,000	NONE
A632	PUBLIC DEFENDER-PIAS ET. AL.	312 S HILL ST, LOS ANGELES 90012-3503	LEASED	9,782	9,293	NONE
A658	MENTAL HEALTH-ADULT SERVICES OF CARE FSP	619 E 5TH ST, LOS ANGELES 90021	LEASED	3,200	3,040	NONE
A429	CAO-REAL ESTATE DIVISION/ SERVICE INTEGRATION	222 S HILL ST, LOS ANGELES 90012	LEASED	1,118	1,118	NONE
A216	DPSS-APPEALS & STATE HEARINGS	811 WILSHIRE BLVD, LOS ANGELES 90017	LEASED	4,512	4,286	NONE
0155	STANLEY MOSK COURTHOUSE	111 N HILL ST, LOS ANGELES 90012	STATE/CNTY	794,459	489,254	NONE
3154	CLARA SHORTRIDGE FOLTZ CRIMINAL JUSTICE CENTR	210 W TEMPLE ST, LOS ANGELES 90012	STATE/CNTY	1,036,283	516,275	NONE
A627	COUNTY ADMIN OFFICES-LA WORLD TRADE CTR	350 S FIGUEROA ST, LOS ANGELES 90071	LEASED	5,407	5,137	NONE
0142	EL PUEBLO REDEVELOPMENT PROPERTY-PLAZA HOUSE	507 N MAIN ST, LOS ANGELES 90012	OWNED	15,618	11,154	NONE
0143	EL PUEBLO REDEVELOPMENT PROPERTY-VICKREY BL	501 N MAIN ST, LOS ANGELES 90012	OWNED	34,350	29,710	NONE
0156	HALL OF RECORDS	320 W TEMPLE ST, LOS ANGELES 90012	OWNED	438,095	260,776	NONE
Y013	DPSS-CIVIC CENTER DISTRICT/GROW CENTER OFFICE	813 E 4TH PL, LOS ANGELES 90013	OWNED	39,956	25,158	NONE
0181	KENNETH HAHN HALL OF ADMINISTRATION	500 W TEMPLE ST, LOS ANGELES 90012	OWNED	958,090	592,835	NONE
A384	AG COMM/WTS & MEASURES-DOWNTOWN MARKET	1320 E OLYMPIC BLVD, L. A. 90021	LEASED	776	776	NONE
A388	ALT PUBLIC DEF-WILSHIRE-BIXEL BUILDING	1055 WILSHIRE BLVD, LOS ANGELES 90017	LEASED	6,500	6,175	NONE
A405	BOS/ARTS COMMISSION-WILSHIRE-BIXEL BUILDING	1055 WILSHIRE BLVD. SUITE 800, LA 90017	LEASED	7,873	7,479	NONE
3155	PERFORMING ARTS CTR-DE LISA BLDG/THE ANNEX	301 N GRAND AVE, LOS ANGELES 90012	OWNED	27,582	17,978	NONE
A159	DISTRICT ATTORNEY-FIGUEROA PLAZA	201 N FIGUEROA ST, LOS ANGELES 90012	LEASED	87,810	83,420	NONE
5546	PH-CENTRAL PUBLIC HEALTH CENTER	241 N FIGUEROA ST, LOS ANGELES 90012	OWNED	60,924	34,748	NONE
5456	HEALTH SERVICES ADMINISTRATION BUILDING	313 N FIGUEROA ST, LOS ANGELES 90012	OWNED	221,359	134,851	NONE
5979	CENTRAL ARRAIGNMENT COURTHOUSE	429 BAUCHET ST, LOS ANGELES 90012	FINANCED	65,494	46,440	NONE
D015	DPSS-CATHOLIC CHARITIES COMPUTER CENTER	1530 JAMES M WOOD BLVD, LA 90017	PERMIT	200	200	NONE
A675	DISTRICT ATTORNEY-METRO COURT	1933 S BROADWAY, LOS ANGELES 90007	LEASED	6,123	5,817	NONE